

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 2474 - SB 2472**

February 27, 2022

**SUMMARY OF BILL:** Enacts the *Broadband Resiliency, Public Safety, and Quality Act* authorizing the Tennessee Public Utility Commission (TPUC) to exercise oversight in regards to broadband and voice over internet protocol (VoIP) service.

Requires TPUC to: (1) evaluate and audit facilities and infrastructure used to provide high-speed internet service; (2) evaluate facilities and infrastructure in regards to areas of public safety, resiliency, broadband, and other items TPUC deems relevant; and (3) report by January 1 each year to the members of the General Assembly, on progress towards achieving goals of resiliency, public safety, and quality of broadband and VoIP service.

TPUC is further required to promulgate rules that require internet service providers to: (1) submit information related to network reliability, including outage reporting; (2) meet minimum power back-up requirements and maintain networks sufficiently to ensure reliable and safe communications services; and (3) report data on the deployment, availability, pricing, and adoption of VoIP and broadband service.

**FISCAL IMPACT:**

**Increase State Expenditures –**

**\$1,913,200/FY22-23/Tennessee Public Utility Commission  
\$1,412,200/FY23-24 and Subsequent Years/  
Tennessee Public Utility Commission  
\$400,000/FY27-28 and Every Five Years Thereafter/  
Tennessee Public Utility Commission**

**Other Fiscal Impact – The Tennessee Public Utility Commission is a self-funded entity. To the extent fees cannot be increased to cover the required expenditures, it is assumed funding from the General Fund will be necessary; however, the extent of such funding cannot be determined.**

**Assumptions:**

- Per the language of this legislation:
  - "Broadband service" means a mass-market retail service that provides the capability to transmit data to and receive data from all or substantially all internet

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- endpoints, including capabilities that are incidental to, and enable the operation of, the communications service, but does not include dial-up service; and
- "VoIP" means an interconnected service that:
    - Enables real-time, two-way voice communications;
    - Requires a broadband connection from the user's location;
    - Requires internet protocol-compatible customer premises equipment; and
    - Permits users generally to receive calls that originate on the public switched telephone network and to terminate calls to the public switched telephone network.
  - TPUC is a self-funded entity which does not receive funding from the General Fund, but through inspection fees assessed to public utilities under its regulation.
  - TPUC currently oversees privately-owned electric, gas, water, wastewater, and telecommunications companies, but does not regulate broadband services.
  - The proposed legislation extends regulation of broadband services to TPUC and requires TPUC to perform registration, inspection, and financial and performance audits on service providers. No funding mechanism is provided for the program.
  - Based on information provided by TPUC:
    - There are 26 incumbent local exchange carriers and 147 competing local exchange carriers. It is assumed this total of 173 carriers would be the broadband starting point for implementing the provisions of the proposed legislation.
    - The 173 carriers are similar in size to the 181 facilities overseen and inspected by TPUC's Gas Pipeline Safety Division (GPSD).
    - It is reasonably assumed that TPUC will require additional staff and resources comparable to current GPSD staff and resource levels.
    - Expenditures for GPSD in calendar year 2021 were approximately \$1,200,000, the majority of which consists of payroll.
  - TPUC will require 15 additional positions (1 Division Director, 7 Utility Inspector 2, 1 Executive Administrative Assistant 3, 2 Administrative Services Assistant 4, 2 Telecom Consultants, 2 Auditor 4) beginning in FY22-23.
  - There will be a recurring increase in state expenditures of \$1,312,150 {[((\$84,100 salary + \$20,895 benefits) x 1 Division Director) + [(\$75,607 salary + \$19,484 benefits) x 7 Utility Inspector 2 positions] + [(\$80,000 salary + \$20,214 benefits) x 1 Executive Administrative Assistant 3] + [(\$41,604 salary + \$13,836 benefits) x 2 Administrative Services Assistant 4 positions] + [(\$62,800 salary + \$17,357 benefits) x 2 Telecom Consultants] + [(\$67,000 salary + \$18,055 benefits) x 2 Auditor 4 positions]} in FY22-23 and subsequent years.
  - There will be a one-time increase in state expenditures in FY22-23 of \$101,000 for laptops, phones, inspection equipment, safety equipment and related office supplies.
  - Statewide inspections will require each inspector and the division head to have a state vehicle. This cost will occur year one and every five years thereafter. The estimated cost for eight inspection vehicles is \$400,000 (8 positions x \$50,000) beginning FY22-23 and occurring every five years thereafter.
  - Based upon the travel costs incurred annually by the GPSD, it is assumed that travel costs will be approximately \$100,000 per year.
  - There will be a one-time increase in state expenditures in FY22-23 of \$501,000 (\$101,000 + \$400,000).

- There will be a recurring increase in state expenditures of \$1,412,150 [(\$1,036,157 salaries + \$275,996 benefits) + (\$100,000)], in FY22-23 and subsequent years.
- A total increase in state expenditures of \$1,913,150 (\$1,412,150 + \$101,000 + \$400,000) in FY22-23.
- Any increase in state expenditures to prepare and submit the required report is estimated to be not significant and can be handled utilizing existing TPUC resources.
- TPUC is a self-funded entity which does not receive funding from the General Fund, but through inspection fees assessed to public utilities under its regulation.

## **IMPACT TO COMMERCE:**

### **NOT SIGNIFICANT**

#### Assumptions:

- The proposed legislation would require internet service providers to submit certain information to TPUC, meet minimum power back-up requirements established by TPUC, and report certain data.
- It is assumed that utilities already possess the information required and can report such information to TPUC at no extra cost. Any impact to business expenditures is estimated to be not significant.
- It is assumed that utilities operating in the state already meet federal minimum requirements concerning regulation of broadband services. Therefore, requiring service providers to meet minimum requirements established by TPUC is not estimated to result in any significant impact to business expenditures.
- Any impact to jobs in Tennessee is estimated to be not significant.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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